

Management News

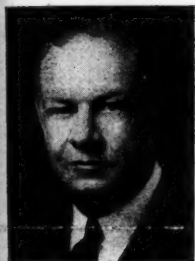
BUSINESS CONDITIONS & FORECASTS

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TRENDS IN BUSINESS

GENERAL OUTLOOK

Measured in terms of national income and jobs, 1946 has been the most prosperous year in American history. National income is estimated at some 3 per cent above 1945's record figure, mainly because of expansion in the last quarter of the year. Unemployment, as of the first week in November, was at the negligible figure of 1,930,000, with 57,040,000 persons employed, or 6,690,000 more than in the same week in 1945. Despite this, and despite the tendency of most prices to continue rising, commentators are continuing to talk recession and deflation for 1947.

Alexander Hamilton Institute even mentions "over production," pointing out that demand measured by the yardstick of farm income had begun to fall slightly below the output index as early as October. The effect of this, it is stated, will probably not become apparent before the second quarter of next year.

Similarly, the Cleveland Trust Company predicts a drop of possibly 10 per cent in commodity prices, and adds that "deflation, rather than inflation, will be the worry of both political parties and business leaders."

CONSTRUCTION

In November, for the first time in 15 months, building permit values dropped below the figure for the corresponding month of the previous year, to \$158,079,798 (Dun & Bradstreet figures, 215 cities) as compared with \$163,369,902 in November, 1945.

With the relaxation of controls on commercial and industrial construction, building materials are expected to continue short through 1947, and home building estimates are being revised downward. According to a poll of more than 2,300 real estate brokers made by

Self-Expression for Stockholders

MANY great happenings take place so gradually that they are easily obscured by much less important, if more dramatic, events. Thus, in day-to-day preoccupation with business affairs, we are inclined to overlook one fact of tremendous significance; namely, the changing relationships between manager, employees, and stockholders. Today we are required to face the fact that employees are in some instances a more articulate group than are the owners, and that the managers are in many cases a more decisive factor in handling business operations than are the owners.

Consider the new labor contract. It consists of a set of understandings between the company and its employees, and working rules for implementing them. Generally the company yields various rights, concessions, and benefits to the working force; and, as each new agreement appears, the number of new benefits increases. The important consideration in the present discussion, however, is not the concessions themselves, but *who* makes the concessions. On the surface, it would appear that settlements between the company and a union are an expression of the wishes of the owners. But this is only speciously true. The contract is actually negotiated by the only people who can negotiate it; namely, the actual operators of the business.

In former days (that is, if labor contracts had existed in former days) there would have been little question as to who would settle upon agreements with labor; it would have been the owners of the business—the *real* owners. But

today such owners write few contracts, simply because they (the stockholders) have become so numerous as to be no longer effectively articulate. They are a nondescript, heterogeneous cross-section of society—described by one company as "truck drivers, housewives, bakers, bankers, printers," and the company's own employees. Large shareholders among them may, to some degree, find it possible to express their wishes consistently to management, but for the vast majority, and certainly for the minority groups, only a small degree of such expression is achieved. The manager has the difficult task of forwarding the interests of this motley electorate.

Because they are indispensable to the owners—not as individuals but as a class—the managers actually have powers more comparable to those of the owners of former days than those of present-day owners. More succinctly, the prerogatives of ownership have been steadily whittled away. They have not vanished; they have been transferred to the manager—and only because he stands closer to the realities of everyday company operations. Even more important, as the requirements for successful business operations become more exacting and specialized, the greater becomes the strategic power of the manager, and the more dependent upon him becomes the owner.

It may be observed that individuals and groups of people sometimes seek to achieve one objective and accomplish something that is quite different. For

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Trends in Business

(Continued)

Previews, Inc., national realty sales organization, real estate prices are expected to continue rising for the next six to 12 months.

PRODUCTION

Output in November was maintained at about the same level as in October, fell off somewhat in early December because of the effect of the coal strike, and recovered again after the miners went back to work.

Production of cars and trucks in the latest week for which figures are available reached 97,860, compared to a 1941 average of 98,236. Steel production, which had fallen off sharply, was back at 83.9 per cent of capacity.

NATIONAL INCOME

Income payments to individuals in 1946 are expected to set an all-time record, \$165,000,000,000, or 3 per cent above the 1945 peak of \$160,988,000,000. National income in October reached \$17,846,000,000, the highest monthly figure on record, and 37.2 per cent above that for October, 1945.

PRICES

Dun & Bradstreet's wholesale food price index has been declining slightly for four weeks, and was down to \$6.28 on December 17, or 21 cents below the all-time high of \$6.49 registered on November 19. The present figure, however, is considerably above the high of 1920, \$5.24, recorded on January 8 of that year, and more than double the high of 1939.

Prices of basic raw materials of industrial products are still advancing—increases having recently occurred in certain types of steel and in lead.

BUSINESS FAILURES

Business failures in the week ending December 19, were more than three times as numerous as in the corresponding week of last year, Dun & Bradstreet reports. This marks the 13th consecutive week in which the number of failures has outrun those of 1945. Total for the year to date is 1093, as against 806 in 1945.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Listening Post

Portal to a Lawyers' Field Day •

The net impression given by press reports regarding the Supreme Court decision in the Mt. Clemens Pottery case is that the only thing that will save hundreds of employers from bankruptcy is new legislation. While the publicity may serve to remind Congress of the urgency of revised labor legislation and, specifically, of the need for corrective legislation with regard to the FLSA, inquiry discloses that large numbers of companies are not at all resigned to the inevitability of paying out an enormous back-wage bill for alleged overtime. Corrective legislation would put a quick end to many suits that have been already instituted, but court decisions in these cases would indicate how really limited was the Mt. Clemens decision, and serve to clarify many phases of the whole picture. Their net effect would be to slow up the union drive to collect fantastic sums in back pay.

What's being overlooked is the fact that the decision that caused all the hubbub involved conditions in a single case. The judge who made that decision was quite rightly surprised at the repercussions of a case involving a specific violation of the Wages and Hours Law.

It is difficult to see how a company that has scrupulously observed provisions and regulations of the FLSA can be punished for six years of time accumulated in small units a day.

The *de minimis* doctrine, where the amount of time involved is considered negligible, may apply, and another consideration is the fact that paid rest periods may act as an offset to portal-to-portal time. In any event, barring legislation, a lawyers' field day, unrivalled by any in history, is at hand.

Predicted at AMA Meeting • A

year and a half ago Clarence O. Skinner of the Automotive and Aviation Parts Manufacturers pointed out to management at an AMA meeting that the WLB had ordered application of the travel time principle in open pit mines, and had based this decision on the opinion of a Federal District Court in Arizona, which had held that travel time in open pit operations was time worked for purposes of overtime under the Wage and Hour Act.

AMA members were thus forewarned that travel time might prove to be something to be reckoned with. Mr. Skinner

remarked at the time that it was "no great jump" to say that employees would also be paid for time spent in getting from the factory gate or door to their places of work. He also advised management to look into its practices regarding time for clothes changing and washing up—to see whether these were optional on the part of the employee or required by the company because of the nature of the operation. The War Labor Board had previously extended travel time to include time spent in such changing and washing up in the meat industry, because the changing was required by government regulations.

Your House and Furniture • Big

jumps in insurable values, such as have occurred in the last few years, are a big headache for the company's insurance buyer—but not for him alone. The personnel man or the packaging expert should be equally concerned if he owns his own home and has it insured under a fire policy with a coinsurance clause.

Under the coinsurance clause, as most home owners know, the amount collected for a partial loss depends on the relation of the amount of insurance carried to the actual value of the property. Thus, when building values rise, it is necessary to carry more insurance.

How much has the value of homes and furnishings risen since 1940? R. M. Beatty, Executive General Adjuster, Western Adjustment and Inspection Company, stated at the Insurance Conference:

"Taking an ordinary brick veneer dwelling, I think costs have risen about 90 per cent. Perhaps you should even double your values to take into account the rises that are likely to occur in the next few months.

"On household furniture, I have heard figures ranging from 40 to 100 per cent, but the higher figure probably takes account of the fact that better-grade furnishings are being sold. I would, therefore, set a minimum of 50 per cent and a maximum of 75 per cent."

More conservatively, real estate brokers polled by Previews, Inc. (see "Trends in Business") believe that the rise in building costs has been about 50 per cent.

James O. Rice

RESEARCH DEPARTMENT

Probation and Leaves of Absence

On no other point, probably, are personnel practices more unstandardized than they are on probation periods and leaves of absence. To provide answers to inquiries received on this subject, AMA has made a small survey covering some 105 employee handbooks, and results indicate that there is no general pattern at all.

Of the 105 handbooks, which cover either factory workers or both factory and office workers, only 50 contain definite provisions for probation periods and leaves of absence. It may be that many of the other companies omitted these subjects because they are covered in the union contracts, but in only one case does the handbook refer the reader to the contract for information on such a matter.

PROBATION PERIOD

Of the 50 handbooks with material on these subjects, 28 contain statements on the probation period, but there is no uniformity—the length of the time varying from 30 days (five companies) to a year (two companies). Two firms state that the new employee becomes a regular employee as soon as he is hired, and one states that he is "on trial" but does not say for how long. The others are grouped as follows:

260 hours	1 company
2 months	1 company
3 months	5 companies
1000 hours	1 company
6 months	9 companies

In one case, leave of absence is mentioned by implication, since the handbook states that an employee absent for more than five weeks must be reinstated by the personnel manager on his return to work. Knowing this regulation, employees probably have some kind of understanding with the personnel manager when an absence threatens to drag out for more than the specified period.

Special provisions include, in one case, that the 30-day probation period shall not include more than four days of layoff, and an arrangement in another, where the period is six months, for follow-up of the new employee after 30, 60, and 120 days, and again at the end of six months. Employees are rated by their foreman at these times and may then be released or transferred. A company which has a one-year probation period specifies that it may be longer if the employee is notified of the extension

at the time of employment or reinstatement.

LEAVES OF ABSENCE

Twenty-four handbooks out of the 50 specify with whom the leave of absence is to be arranged. The following table has been prepared to show the variation on this point.

Leave is arranged with:

Foreman (or supervisor)	4 companies
Foreman and department head	2 companies
Foreman and personnel department	4 companies
Department head and personnel department	2 companies
"Industrial relations representative"	1 company
Industrial relations (or personnel) department	5 companies
Department head and personnel relations committee	1 company
Resident manager	1 company
Foreman, department head and personnel department	1 company
Management	1 company
Foreman and leave of absence committee	1 company
Department head	1 company

It will be seen that the worker goes first, in most cases, to his foreman or supervisor, who then checks with the personnel department. Possibly we may assume in the case of the five companies which state that leaves of absence are arranged by the personnel department that the practice is for the personnel department to check with the supervisor. It is obvious that a supervisor could not arrange his work if the employees under him were free to go on leaves of absence without his knowledge. We may say, therefore, that this provision really means the worker goes first to the personnel department rather than first to his foreman.

TIME LIMIT ON LEAVES

Only 15 of the handbooks show any definite time limit for leaves of absence, and four of the 15 state that additional amounts of leave may be secured in special cases. We are thus left with the impression that the leave of absence is granted or withheld mainly on the merits of the individual case.

A small number of handbooks show a pattern with regard to the time limit. There are two in each of the following classes: one week, two weeks, 30 days, 60 days, and 90 days.

One company has a range of from five days to six months, the length of

time depending on the individual case. Another has a range of two weeks to one month. A third provides that the worker is considered to be on leave as long as he is receiving compensation payment.

An interesting case is that of the company which determines the length of the leave by the length of service. Employees with the company for less than one year are limited to leaves of 30 days; after a year of service and up to five years they may have 90 days; and after five years they may have 180 days.

One company says that a leave will be allowed if it is not for the purpose of taking another job. Another specifies that, on arrangement with the supervisor and personnel department, an employee may take two weeks to look for another job, or even to try another job, and may then come back if he chooses, without the loss of continuity of service. This company also allows a three-month leave of absence on special arrangement for emergency farm work if the employee plans to work for a member of his own family.

Illness as a reason for leave of absence is not often mentioned, but it is occasionally taken care of in another special section of the handbook. When illness is mentioned, the handbook generally provides that the leave is given upon a statement from the medical director of the company, or from a "responsible physician."

Various reasons for leave of absence are mentioned as follows. Not all of these, of course, are given in any one case.

1. "Personal reasons"
2. Sickness or accident
3. Sickness of member of immediate family
4. Death of member of immediate family
5. Maternity leave
6. Time off to be married
7. Jury and witness duty
8. Emergency civic service such as local disaster relief
9. Local and national government service
10. Judge or clerk of election
11. Community or charitable activity
12. Military leave
13. Training periods for Reserve and National Guard
14. Emergency farm work
15. Looking for another job or trying another job
16. Union activity

ACTIVITIES of the AMA

AMA Marketing Conference To Emphasize Lower Costs

New System of Finding Market Potential to Be Presented Also

In preparation for the expected "buyers' market," AMA has scheduled a Marketing Conference which will stress such topics as "Reducing Sales Costs," "Determination of Pricing Policies Under Present Conditions," "Compensation Adjustments in a Period of Uncertainty," and "Measuring Existing Markets and Market Potentials." Sessions will be held January 9 and 10 at the Hotel Commodore, New York City.

STEP-BY-STEP ACCOUNT

Among the talks on cutting distribution costs will be one by Richard D. Crisp, Sales Analyst, S. C. Johnson & Company, who will present a step-by-step account of his own company's successful procedure.

Another case story will be given by A. N. Seares, Vice President and General Manager, Systems Division, Remington Rand, Inc., whose company has evolved a new system of equipping itself and its representatives with accurate up-to-date information on sales potential.

OTHER SPEAKERS

Other speakers will include: Dr. Vergil D. Reed, J. Walter Thompson Company, former acting director of the Bureau of the Census; Laurence C. Hart, Johns-Manville Corporation; Frank W. Mansfield, Sylvania Electric Products, Inc.; Joseph B. Givner, National Merchandising Corp.; Dr. Ernest Dichter, Psychological Consultant in Marketing and Communication; John D. Sheahan, Drake, Stevenson, Sheahan, Barclay, Inc.; and J. B. Lathrop, Barrington Associates.

S. C. A. P. to Make Japanese Translation Of AMA Report No. 7

AMA's Research Report No. 7, *The Development of Foremen in Management*, is to be translated into Japanese by the Labour Education Branch of the Supreme Command Allied Powers.

The Branch plans to use the study as reference material for Japanese employers who want to know more about American management procedures.

The President's Scratch-Pad

(Continued from page 1)

example, a religious sect that sought sanctuary for contemplative agricultural life in a distant part of the country developed the area so attractively that before many years had passed it had attracted the population of a metropolis. War is fought for particular causes, but effects upon the nations that participate may be quite different from those anticipated.

We may wonder whether the same process is not now at work in the case of the industrial manager. He is the representative of ownership, and yet he is under influences that are in many instances stronger and more decisive than that of the owner. While the voice of the stockholder grows weaker in the affairs of company direction, that of the employees and the public grows stronger. In 99 of 100 cases the primary concern of management is not the stockholder but the employee. The manager is continually attempting to increase his knowledge of how to deal with employees. He hires an army of specialists to help him. He polls the employees' opinion. He gives employees psychological tests and subjects them to ingenious training routines.

But how often do you hear of managers polling the opinions of stockholders? How many companies continually sound out the views and sentiments of various cross-sections of their shareholders? How many companies attempt to remind their employees that "stockholders" are real people, and not shadowy denizens of an economic "Never Never Land"? How many companies try to build the prestige of the shareholders in the minds of both the public and the employees? Does anyone try to make shareholding attractive?

As time passes, it becomes increasingly important that people be reminded that our factories and production facili-

25 Firms to Exhibit Personnel Forms at Chicago Conference

A "Personnel Workshop," featuring an exhibit of personnel forms, publications, bulletins, manuals, etc., will be a feature of AMA's Chicago Personnel Conference, scheduled for February 24, 25, and 26 at the Palmer House.

Twenty-five representative firms will be among the exhibitors in the showing, which will be held on the evening of February 24. Among them are: American Viscose Corporation, Marshall Field & Co., Caterpillar Tractor Co., the Perfect Circle Company, Economy Stores, and the Public Service Company of Northern Illinois.

ties exist because other people risked their money to make them possible. Indeed, management itself perhaps should frequently pinch itself so that it will be reminded of this fact.

In his book, *The Managerial Revolution*, James Burnham envisioned a society in which managers would replace capitalists as the ruling class. He believes that instruments of production will ultimately be owned by the state and the privileged group will be those who manage these facilities. There is a plausibility to his theory that is certainly arresting; in the light of today's trends and in view of the facts pointed out in the foregoing paragraphs, one might wonder whether we are not already embarked upon such a revolution.

It is conceivable that, through the combined erosive effects of the labor agreement and legislative action, future years may find that a complete transference of ownership has been made from the stockholder to the employee and the public, with the manager holding his position by permission of the government and the public. He will represent a new set of "owners."

Such culmination is certainly inevitable unless management finds ways and means of getting greater and more effective expression from those who have risked their capital and savings to build the factories which managers and employees operate.

Alvin E. Dodd

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